

TEXAS HIGHER EDUCATION COORDINATING BOARD

Agency Operations Committee

1200 EAST ANDERSON LANE, BOARD ROOM 1.170
AUSTIN, TEXAS
11:00 A.M., April 25, 2018

*John T. Steen, Jr.,
CHAIR
Ricky A. Raven
Vice Chair
S. Javaid Anwar
Fred Farias III, O.D.
Michael J. Plank
Andrias R. "Annie" Jones
Student Representative,
Ex-Officio
Stuart W. Stedman, Ex-
Officio*

PUBLIC TESTIMONY: The presiding chair shall designate whether public testimony will be taken at the beginning of the meeting, at the time the related item is taken up by the Board after staff has presented the item, or any other time. For procedures on testifying, please go to http://www.thecb.state.tx.us/public_testimony.

I. Welcome and Committee Chair's Opening Remarks

II. Consideration of Approval of the Minutes from January 24, 2018, Committee Meeting

III. Public Testimony on agenda items relating to the Agency Operations Committee

IV. Agency Operations

A. Consideration of adopting the staff's recommendation to the Committee relating to the agency's 2018 Customer Service Report

B. Report on grants and contracts, including those exceeding \$1 million

C. Update on the key initiatives recommended by NTT Data regarding the Agency Cyber Security Framework

D. Consideration of adopting the Commissioner's recommendation to the Committee relating to amendments to Chapter 1, Subchapter E. Sections 1.114 and 1.115 concerning the student complaint procedure

V. Finance

A. Consideration of adopting the Commissioner's recommendation to the Committee relating to the agency's operating budget for fiscal year 2019

B. Update to the Committee regarding the issuance of an RFQ and the resulting selection and award of Bond Counsel to perform legal services for the agency related to the student loan bond program

C. Update to the Committee regarding the issuance of an RFP and the resulting selection and award of a Financial Advisor to provide support for the agency's student loan bond issuance

D. Review of the Fiscal Year to Date 2018 Financial Report to the Board

VI. Internal Audit

A. Discussion of Statements on Auditing Standards No. 114, The Auditor's Communication with Those Charged with Governance

B. Discussion of the State of Texas Federal Portion of the Statewide Single Audit for the Fiscal Year Ended August 31, 2017, Report Number 18-314 issued March 2018 by the Texas State Auditor's Office

C. Update on Internal Audit Reports and Activities

VII. Compliance Monitoring

A. Update on Compliance Monitoring Reports and Activities

The Texas Higher Education Coordinating Board Agency Operations Committee may convene in Executive Session at any point in this meeting, concerning any item listed in the agenda or to seek or to receive its attorney's advice on legal matters related thereto, pursuant to Texas Government Code Ann. 551.071.

Note: The Board will not consider or act upon any item before the Agency Operations Committee at this meeting. This meeting is not a regular meeting of the full Board. Because the number of Board members who may attend the committee meeting may create a quorum of the full Board, the meeting of the Agency Operations Committee is also being posted as a meeting of the full Board.

Texas Penal Code Section 46.035(c) states: "A license holder commits an offense if the license holder intentionally, knowingly, or recklessly carries a handgun under the authority of Subchapter H, Chapter 411, Government Code, regardless of whether the handgun is concealed or carried in a shoulder or belt holster, in the room or rooms where a meeting of a governmental entity is held and if the meeting is an open meeting subject to Chapter 551,

Government Code, and the entity provided notice as required by that chapter." Thus, no person can carry a handgun and enter the room or rooms where a meeting of the THECB is held if the meeting is an open meeting subject to Chapter 551, Government Code.

Please Note that this governmental meeting is, in the opinion of counsel representing THECB, an open meeting subject to Chapter 551, Government Code and THECB is providing notice of this meeting as required by Chapter 551. In addition, ***please note*** that the written communication required by Texas Penal Code Sections 30.06 and 30.07, prohibiting both concealed and open carry of handguns by Government Code Chapter 411 licensees, will be posted at the entrances to this governmental meeting.

Committee on Agency Operations

AGENDA ITEM I

Welcome and Committee Chair's Opening Remarks

Mr. John Steen, Chair of the Committee on Agency Operations, will provide the Committee an overview of the items on the agenda.

Committee on Agency Operations

AGENDA ITEM II

Consideration of Approval of the Minutes from January 24, 2018, Committee meeting

RECOMMENDATION: Approval

DRAFT

TEXAS HIGHER EDUCATION COORDINATING BOARD Agency Operations Committee

Wednesday, January 24, 2018

Board Room, 1st Floor

Room 1.170

2:00 p.m.

1200 East Anderson Lane, Austin, Texas

The Committee on Agency Operations convened at 2:00 p.m. on January 24, 2018, with the following members present: John Steen; presiding; Javid Anwar; Fred Farias; Ricky Raven; Stuart Stedman; Bobby Jenkins (Ex-Officio); and Annie Jones (Ex-Officio)

Other Board Members present: Arcilia Acosta

AGENDA ITEM	ACTION
I. Welcome and Committee Chair's Opening Remarks	Chair John Steen called the meeting of the Agency Operations Committee to order.
II. Consideration of Approval of the Minutes from October 25, 2017, Committee Meeting	On a motion by Mr. Raven, seconded by Mr. Anwar, the Committee approved the October 25, 2017, Agency Operations Committee meeting minutes.
III. Public Testimony on Agenda Items Relating to the Committee on Agency Operations	No action required.
IV. Agency Operations	
A. Report on grants and contracts, including those exceeding \$1 million	No action required.
B. Update on the key initiatives recommended by NTT Data regarding the Agency Cyber Security Framework	Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services, and Mr. John House, Information Security Officer, updated the Board on the progress made so far on the key initiatives recommended by NTT Data. This item did not require any action.

AGENDA ITEM	ACTION
V. Finance	
A. Review of the Year to Date Fiscal Year 2018 Financial Report to the Board	Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO presented this item to the Committee. This item did not require any action.
VI. Compliance Monitoring	
A. Update on Compliance Monitoring Reports and Activities	Mr. Mark Poehl, Director of Internal Audit and Compliance presented this item to the Committee. This item did not require any action.
VII. Internal Audit	
A. Consideration of approval of the updated Internal Audit Charter	On a motion by Mr. Raven, seconded by Dr. Farias, the Committee approved the updated Internal Audit Charter.
B. Update on Internal Audit Reports and Activities	Mr. Mark Poehl, Director of Internal Audit and Compliance presented this item to the Committee. This item did not require any action.
VIII. Executive Session	
A. Pursuant to Texas Government Code, section 551.071, Consultation with Attorney, the Agency Operations Committee will meet in closed session to discuss and receive its attorney's advice on legal matters relating to Agenda Item VII-B(4)	The Committee went into closed session at 3:23 p.m. and reconvened at 4:18 p.m. No other business of the Board was discussed before reconvening in open session. There was no action taken during this closed session.

With no further business, on a motion by Mr. Anwar, seconded by Mr. Raven, the meeting adjourned at approximately 4:18 p.m.

Committee on Agency Operations

AGENDA ITEM III

Public Testimony on agenda items relating to the Agency Operations Committee

RECOMMENDATION: No action required

Background Information:

PUBLIC TESTIMONY: The presiding chair shall designate whether public testimony will be taken at the beginning of the meeting, at the time the related item is taken up by the Board after staff has presented the item, or any other time as determined by the presiding chair.

Committee on Agency Operations

AGENDA ITEM IV-A

Consideration of adopting the staff's recommendation to the Committee relating to the agency's 2018 Customer Service Report

RECOMMENDATION: Approval

Background Information:

Texas Government Code, Section 2114, requires state agencies and institutions of higher education to develop customer service standards and implement customer satisfaction assessment plans. By June 1 of every even-numbered year, a report on customer service is submitted to the Governor's Office Budget Division and the Legislative Budget Board (LBB).

This report contains five elements prescribed by the Governor's Office and the LBB:

- An inventory of external customers served by the agency and a description of the types of services provided to them;
- A description of the information-gathering methods used to obtain input from agency customers;
- Charts detailing the levels of customer-determined service quality and other relevant information received for each customer group, and each statutorily required customer service quality element (i.e., facilities, staff, communications, Internet sites, complaint-handling processes, service timeliness, and printed information);
- An analysis of the findings identified from the customer satisfactory assessment, including identification of changes that would improve the survey process, and summary findings regarding the quality of service provided and improvements to be made in response to this assessment; and
- Performance measure information for customer service standards and customer satisfaction (i.e., wait times, complaints, responses), as well as estimated performance for FY2018.

Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO, will present this report. The report will be sent under separate cover.

Committee on Agency Operations

AGENDA ITEM IV-B

Report on grants and contracts, including those exceeding \$1 million

RECOMMENDATION: No action required

Background Information:

Title 19 Texas Administrative Code, Rule 1.16(j) establishes that any contract for the purchase of goods or services that exceeds \$1 million may be entered into only if the contract is approved and signed by the Commissioner, to whom the Board, by virtue of this rule, delegates such approval and signature authority. In addition to the Board receiving a quarterly report on *Contacts Executed by the Agency in Accordance with Board Rule 1.16*, the Coordinating Board staff would like to also provide the Board a quarterly report highlighting and listing all grants and contracts exceeding \$1 million.

Bill Franz, General Counsel will be available for questions.

Agency Operations Committee

Agenda Item IV-C

Update on the Key Initiatives recommended by NTT Data regarding the Agency Cyber Security Framework

RECOMMENDATION: No action required

Background Information:

Senate Bill 1134, 83rd Texas Legislature, required the Texas Department of Information Resources (DIR) develop strategies and a framework for the securing of cyber infrastructure by state agencies. DIR subsequently worked with a committee of agency representatives and private sector reviewers to develop a framework and template that can help agencies comply with requirements.

In 2016 DIR contracted with NTT Data, Inc. to conduct an assessment of the alignment of state agencies' cybersecurity infrastructure with the Texas Cybersecurity Framework. NTT Data, Inc. consultants performed an assessment of the THECB's cybersecurity infrastructure between April and June, 2017, and presented their findings and recommendations to the Board in a Special Called Board meeting on June 28th, 2017.

Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services, and Mr. John House, Information Security Officer, will present a progress report to the Board regarding the implementation of the key cybersecurity initiatives recommended by NTT Data, a vendor contracted by the Department of Information Resources (DIR).

Committee on Agency Operations

AGENDA ITEM IV-D

Consideration of adopting the Commissioner's recommendation to the Committee relating to amendments to Chapter 1, Subchapter E. Sections 1.114 and 1.115 concerning the student complaint procedure

RECOMMENDATION: Approval

Background Information:

These amendments will update the division name in the student complaint mailing address, remove the language prohibiting the acceptance of Facsimile (FAX) transmissions of student complaint forms, and clarify the student complaint procedures.

General Counsel William Franz is available for questions.

Date Approved by the Commissioner for Publication in the *Texas Register*: February 23, 2018

Date Published in the *Texas Register*: February 23, 2018

The 30 day comment period with the Texas Register ended on: March 25, 2018

No comments were received regarding the amendments to this rule.

The amendments have been prepared in the following format:

- New language is in lowercase, underlined, and shaded.
- Deleted language is bracketed and struck through.
- When new language replaces deleted language, the new language precedes the deleted language.

Chapter 1. Agency Administration
Subchapter E. Student Complaint Procedure

Section

- 1.110. Definitions.
- 1.111. Scope and Purpose.
- 1.112. Institution's Obligation to Provide Information Concerning the Complaint Procedure.
- 1.113. Complaints Not Reviewed by the Agency.
- 1.114. Filing a Complaint.
- 1.115. Referral of Certain Complaints to Other Agencies or Entities.
- 1.116. Agency Investigation of Student Complaint.
- 1.117. Attempt to Facilitate an Informal Resolution to the Complaint.
- 1.118. Recommendation for Resolution Made to the Commissioner.
- 1.119. Written Determination of the Commissioner.
- 1.120. Authority of the Commissioner to Issue Written Determinations Regarding Student Complaints

1.110. – 1.113. (No change.)

1.114. Filing a Complaint.

(a) (No change.)

(b) Complainants shall submit student complaint forms through the online process provided on the agency's website, by electronic mail (email) to StudentComplaints@theccb.state.tx.us, or by hard copy sent to the Texas Higher Education Coordinating Board, Office of General Counsel, [~~College Readiness and Success Division~~], P.O. Box 12788, Austin, Texas 78711-2788. [~~Facsimile (FAX) transmissions of the student complaint form are not accepted.~~]

(c) All submitted complaints must include the following three completed, signed forms: a student complaint form, [~~and a signed~~] Family Educational Rights and Privacy Act (FERPA) Consent and Release form, and THECB Consent and Agreement form. [~~which is at the bottom of the student complaint form.~~] Submitted complaints regarding students with disabilities shall also include a signed Authorization to Disclose Medical Record Information form. [~~which is at the bottom of the student complaint form.~~]

(d) (No change.)

(e) (No change.)

1.115. Referral of Certain Complaints to Other Agencies or Entities.

(1) – (2) (No change.)

(3) If the Agency determines that the complaint is appropriate for investigation and resolution by the institution's recognized accrediting agency, the Agency may refer the complaint to the accrediting agency. If the Agency refers the complaint to such accrediting agency, the Agency may ~~ask~~ [request] the accrediting agency to send quarterly updates in writing to the Agency regarding the status of the investigation of the complaint and ~~to~~ [shall] notify the Agency in writing of the outcome of the investigation/resolution process for the complaint.

(4) (No change.)

1.116. – 1.120. (No change.)

Committee on Agency Operations

AGENDA ITEM V-A

Consideration of adopting the Commissioner's recommendation to the Committee relating to the agency's operating budget for fiscal year 2019

RECOMMENDATION: Approval

BACKGROUND INFORMATION:

The General Appropriations Act (GAA) is approved after each legislative session. This act funds both years of the biennium. The agency develops an operating budget before the start of each fiscal year and submits the budget for Board approval. The budget that is being presented today is aligned with the General Appropriations Act (GAA) of the 85th legislature. This item requires approval.

Key points:

- The budget is for fiscal year 2019, which starts on 9/1/2018.
- The budget delineates funding between agency administration and program specific (Trusted) funding.
- Divisions submit a requested budget based on the zero based budgeting concept.
- The Deputy Commissioners, as well as, General Counsel review the submissions. A draft budget with the associated administrative funding allocations is developed. The Chief Financial Officer validates the availability of funding. A final recommendation is then forwarded to the Commissioner for review and approval.
- The presented budget aligns with the funding and provisions contained within the General Appropriations Act.
- The total budget requested is \$1.67 billion.
- The administrative budget is \$31.2M, the trusted budget is \$739.9M and the budget for Community Colleges is \$895M.
- The agency administrative budget is 1.5% of the total budget (.4% increase Y/Y).
- This budget includes estimated carry forward of funds (UB's) from FY18.
- This budget has been reviewed and approved by the Commissioner and Chief Financial Officer.

Ken Martin, Assistant Commissioner for Financial Services/CFO will present this item to the committee.

Committee on Agency Operations

AGENDA ITEM V-B

Update to the Committee regarding the issuance of an RFQ and the resulting selection and award of Bond Counsel to perform legal services for the agency related to the student loan bond program.

RECOMMENDATION: No action required

BACKGROUND INFORMATION:

The Board uses the services of a Bond Counsel in support of the Hinson-Hazlewood Student Loan Program. The legal counsel assists Board staff with complex legal issues concerning the issuance of bonds, statutory and federal tax code compliance. The current vendor contract will end on August 31, 2018

Key Points:

- An RFQ was issued by the purchasing team within the Office of General Counsel in January, 2018.
- RFQ was sent to 144 vendors, of which 114 were Historically Underutilized Businesses (HUB's) listed in the State of Texas Centralized Master Bidders List (CMBL). The CMBL is an electronic mail list administered by CPA which is a database of vendors registered by commodity codes who have provided contact information, commodity codes, and goods/services they offer.
- A separate invitation was sent to 5 industry leaders.
- A description of the solicitation was posted in The Texas Register. The Texas Register is a publication used to advertise various types of procurements, such as some professional and consulting contracts and some building construction contracts.
- The solicitation documents were also posted to our website under Agency Procurement for any potential bidders.
- The agency received 3 qualified proposals
- Purchasing followed TX Gov. Code, Sec. 2254, 1201 & Texas Administrative Code, 57.4.

A panel of 3 members from agency staff was formed. This panel included General Counsel, Chief Financial Officer and the Director of Financial Reporting. The Director of Purchasing facilitated this panel throughout the process. The vendor responses were evaluated and scored based on the following criteria: 1) Qualifications and experience, 2) Fair and reasonable price.

The selected vendor that scored the highest in this evaluation was McCall Parkhurst & Horton. In accordance with Texas Administrative Code, Rule 1.16, the

Board Chair, Vice Chair and AOC Chair provided the approval for the vendor selection. This vendor met all of the criteria and scored the highest in our evaluation.

Ken Martin, Assistant Commissioner for Financial Services/CFO will present this item to the committee.

Notes:

Sec. 2254.003. SELECTION OF PROVIDER; FEES. (a) A governmental entity may not select a provider of professional services or a group or association of providers or award a contract for the services on the basis of competitive bids submitted for the contract or for the services, but shall make the selection and award:

- (1) on the basis of demonstrated competence and qualifications to perform the services; and
- (2) for a fair and reasonable price.

TX Gov. Code Sec. 2254.154. ATTORNEY GENERAL; COMPETITIVE PROCUREMENT. The attorney general may require state agencies to obtain outside legal services through a competitive procurement process, under conditions prescribed by the attorney general.

TAC OAG Rule 57.4

(a) An Agency seeking to obtain legal services from Outside Counsel must publish a Request for Qualifications for Outside Counsel in the Texas State Business Daily for thirty (30) days.

(b) The Request for Qualifications for Outside Counsel publication must contain:

- (1) a description of the legal services that the Outside Counsel will provide;
- (2) the name and contact information for an Agency employee who should be contacted by an attorney or law firm that intends to submit their qualifications;
- (3) the closing date for the receipt of qualifications;
- (4) the procedure by which the Agency will make a selection of Outside Counsel;
- (5) notice that the selection of and contracting with, Outside Counsel is subject to the approval of the Office of the Attorney General; and
- (6) any other information the Agency deems necessary.

(c) After the closing date for the receipt of qualifications, the Agency may select an Outside Counsel. The Agency may only select an Outside Counsel that complied with the Request for Qualifications for Outside Counsel. The Agency shall make the selection of Outside Counsel:

- (1) on the basis of demonstrated competence and qualifications to perform the legal services; and
- (2) for a fair and reasonable price, which includes, but is not limited to, the hourly rates or fixed fee basis or fee schedule and expenses for legal services.

(d) Conflict of Interest.

(1) After selecting the Outside Counsel, the Agency shall require the law firm to submit a written disclosure statement identifying every matter in which the firm represents, or has represented, within the past calendar year, any entity or individual in any litigation matter in which the entity or individual is directly adverse to the State of Texas or any of its boards, agencies, commissions, universities, or elected or appointed state agency officials in connection with their official job duties and responsibilities. "Litigation" means the matter has been filed in the public record in either state or federal court.

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(2) If a disclosure statement is submitted, it must include a short description of the nature of the matter and the relief requested or obtained in each matter and any identifying cause or case number.

(e) The Agency shall determine given the disclosure statement whether to continue with its choice of Outside Counsel.

The provisions of this §57.4 adopted to be effective March 27, 2012, 37 TexReg 2065; amended to be effective June 5, 2014.

Committee on Agency Operations

AGENDA ITEM V-C

Update to the Committee regarding the issuance of an RFP and the resulting selection and award of a Financial Advisor to provide support for the agency's student loan bond issuance

RECOMMENDATION: No action required

BACKGROUND INFORMATION:

The Board retains a Financial Advisor to advise Board staff on the issuance of bonds that provide funds for the Hinson-Hazlewood Student Loan Program. The Financial Advisor's role includes advising Board staff on matters pertinent to a proposed bond issue such as issue structure, timing, marketing, fairness of pricing, terms, and bond ratings. The Financial Advisor may also assist Board staff in preparing cash flows that model the Hinson-Hazlewood Student Loan to ensure adequate future liquidity. The current vendor contract will end on August 31, 2018.

Key Points:

- An RFQ was issued by the purchasing team within the Office of General Counsel in January, 2018.
- RFQ was sent to 78 vendors, of which 53 were Historically Underutilized Businesses (HUB's) listed in the State of Texas Centralized Master Bidders List (CMBL). The CMBL is an electronic mail list administered by CPA which is a database of vendors registered by commodity codes who have provided contact information, commodity codes, and goods/services they offer.
- A separate invitation was sent to 7 industry leaders.
- A description of the solicitation was posted in The Texas Register. The Texas Register is a publication used to advertise various types of procurements, such as some professional and consulting contracts and some building construction contracts.
- The solicitation documents were also posted to the agency's website under Agency Procurement for any potential bidders.
- The agency received 3 qualified proposals.

A panel of 3 members from agency staff was formed. This panel included General Counsel, Chief Financial Officer and the Director of Financial Reporting. The Director of Purchasing facilitated this panel throughout the process. The vendor responses were evaluated and scored these based on the following criteria: 1) Qualifications and experience, 2) Fees and costs, 3) Overview of the firm and 4) Other relevant factors.

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The selected vendor that scored the highest in this evaluation was Hilltop Securities, Inc. Hilltop Securities, Inc. will subcontract with YaCari Consultants, which is a HUB firm, for 20% of the total advisory fee. In accordance with TAC, Rule 1.16, the Board Chair, Vice Chair and AOC Chair provided the approval for the vendor selection. This vendor met all of the criteria, they are number one in their industry and they have significant student loan funding experience, including experience with student loan funding with THECB.

Ken Martin, Assistant Commissioner for Financial Services/CFO will present this item to the committee.

Committee on Agency Operations

AGENDA ITEM V-D

Review of the Fiscal Year to Date 2018 Financial Report to the Board

RECOMMENDATION: No action required

BACKGROUND INFORMATION:

During each quarterly committee meeting, the Finance Department provides a financial report summarizing the agency's fiscal year to date budgetary and financial activities. This is a financial management report that is developed for both agency and Board use. Staff may revise this report periodically to present the most relevant information.

Key points:

- This report reflects data for the period of 9/1/17 through 2/28/18 for the 2018 appropriation year.
- The report is distributed to agency executive management on a monthly basis.
- Report overview:
 - The first six months of the 2018 fiscal year are reflected in this report.
 - Expenditures and encumbrances will continue to increase as the year progresses due to the unique timing of each program.
 - The B On-Time (C.1.2, C.1.3) program is being phased out in accordance with the legislative repeal of the program. Excess funding is anticipated due to lower student persistence within the program.
 - Funds previously expended to an entity that are returned in a subsequent fiscal year (Refunds) can be credited to the program in the current fiscal year. Developmental Education (D.1.2) has accumulated refunds in the amount of \$651K year to date, as noted by the negative expense balance. GME (F.1.3) and Autism (I.1.2) have received refunds as well and reflect a negative balance in the expense column. Future expenditures within these programs will offset these negative balances.
 - This is the first year within the biennium and most of the trustee programs have the authority to carry forward any unexpended funding into the following fiscal year.
 - Community College funds are distributed on a monthly basis over a 10 month period.

Agenda Item V-D

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- This is the last year of funding for the federal Teacher Quality Program. No funding is anticipated in fiscal year 2019.
- Loan balances decline month to month on a net basis during the time between semesters when loan volume is at its lowest. This is due to the fact that borrower payments exceed any new loan distributions.
- Defaulted loan collections from the Office of the Attorney General continue to grow on a year over year basis (3%).

Ken Martin, Assistant Commissioner for Financial Services/CFO will present this item to the committee.

Agency Operations Committee

AGENDA ITEM VI-A

Discussion of Statements on Auditing Standards No. 114, The Auditor's Communication With Those Charged With Governance

RECOMMENDATION: No action required

BACKGROUND INFORMATION:

In accordance with the requirements of the Statements on Auditing Standards No. 114, the Board's external auditor, KPMG, LLP will be discussing their responsibility under generally accepted auditing standards. The discussion will include the auditor's responsibility for forming and expressing an opinion on whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects and in conformity with generally accepted accounting principles.

The auditor will also communicate an overview of the planned scope and timing of the audit, as well as financial risk areas.

David Harwood with KPMG, LLP will present this item to the Committee.

Committee on Agency Operations

AGENDA ITEM VI-B

Discussion of the State of Texas Federal Portion of the Statewide Single Audit for the Fiscal Year Ended August 31, 2017, Report Number 18-314 issued March 2018 by the Texas State Auditor's Office

RECOMMENDATION: No action required

BACKGROUND INFORMATION:

The Federal Portion of the Statewide Single Audit for the Fiscal Year Ended August 31, 2017, Report Number 18-314 identified one Coordinating Board finding. There were no questioned costs associated with this finding and it was classified as "Non-compliance".

Finding 2017-033 Due Diligence by Lenders in the Collection of Delinquent Loans

For one out of 40 borrowers reviewed, the borrower did not have the required due diligence phone contact efforts completed. The borrower was over 90 days delinquent prior to a diligent telephone call. The report notes that the Coordinating Board had increased controls over due diligence activities during 2016 as a result of a prior audit finding and control testing after the new controls were implemented resulted in no exceptions.

CB management response affirms that the corrective actions were implemented in August, 2016.

The reported finding is provided on the following pages.

Susan Warren with KPMG, LLP will present this item to the Committee. KPMG, LLP performs this audit under contract with the Texas State Auditor's Office.

TEXAS HIGHER EDUCATION COORDINATING BOARD

Texas Higher Education Coordinating Board

Reference No. 2017-033

Special Tests and Provisions – Due Diligence by Lenders in the Collection of Delinquent Loans

(Prior Audit Issue – 2016-038)

CFDA 84.032L – Federal Family Education Loans - Lenders

Award year – July 1, 2016 to June 30, 2017

Award number – N/A

Statistically valid sample – No and Not Intended to be a Statistically Valid Sample

Type of finding – Non-Compliance

Lenders are required to engage in specific collection activities and meet specific claim-filing deadlines on delinquent loans. In the case of a loan made to a borrower who is incarcerated, residing outside the United States or its Territories, Mexico, or Canada, or whose telephone number is unknown, the lender may send a forceful collection letter instead of each telephone effort described below. There are also specific collection activities that must be performed before a lender can file a default claim on a loan with an endorser. The due diligence provisions preempt any State law, including State statutes, regulations, or rules that would conflict with or hinder satisfaction of the requirements or frustrate the purposes of that section (34 CFR Section 682.411).

Questioned Cost:	\$0
U.S. Department of Education	

Collection activity with respect to a loan is defined as:

- a. Mailing or otherwise transmitting to the borrower at an address that the lender reasonably believes to be the borrower’s current address, a collection letter or final demand letter that satisfies the timing and content requirements of 34 CFR Sections 682.411(c), (d), (e), or (f);
- b. Attempting telephone contact with the borrower;
- c. Conducting skip-tracing efforts, in accordance with 34 CFR Sections 682.411(h)(1) or (m)(1)(iii) to locate a borrower whose correct address or telephone number is unknown to the lender;
- d. Mailing or otherwise transmitting to the guaranty agency a request for default aversion assistance available from the agency on the loan at the time the request is transmitted; or
- e. Any telephone discussion or personal contact with the borrower as long as the borrower is apprised of the account’s past-due status (34 CFR Section 682.411(l)(5)).

A lender/servicer may not permit the occurrence of a gap of more than 45 days (or 60 days in the case of a transfer) in collection activity on a loan (34 CFR Section 682.411(j)).

A lender is required to maintain complete and accurate records of each loan that it holds. In determining whether the lender met the due diligence compliance requirements pertaining to collection of delinquent loans, the documentation maintained must include a collection history showing the date and subject of each communication between the lender and the borrower or endorser relating to collection of a delinquent loan; each communication (other than regular reports by the lender showing that an account is current) between the lender and a credit bureau regarding the loan; each effort to locate a borrower whose address is unknown at any time; and each request by the lender for default aversion assistance on the loan (34 CFR Section 682.414(a)(4)).

Failure to comply with the Federal due-diligence regulations will result in the loss of reinsurance for the guaranty agency, the loss of a lender’s right to receive an insurance payment from the guaranty agency’s Federal Fund, and the lender’s right to receive interest and special allowance (34 CFR Part 682, Appendix D, Paragraph I.B.3).

The required collection activities are described below. As part of one of the collection activities, the lender must provide the borrower with information on the availability of the Student Loan Ombudsman’s office (34 CFR Section 682.411).

1 to 15 Days Delinquent: One written notice or collection letter should be sent to the borrower informing the borrower of the delinquency and urging the borrower to make payments sufficient to eliminate the delinquency (except in the

case where a loan is brought into this period by a payment on the loan, expiration of an authorized deferment or forbearance period, or the lender's receipt from the drawee of a dishonored check submitted as a payment on the loan.) The notice or collection letter sent during this period must include, at a minimum, a lender contact, a telephone number, and a prominent statement informing the borrower that assistance may be available if he or she is experiencing difficulty in making a scheduled repayment.

16 to 180 Days Delinquent (16-240 days delinquent for a loan repayable in installments less frequently than monthly): Unless exempted as set forth in 34 CFR Section 682.411(d)(4), during this period the lender shall engage in the following:

- a. At least four diligent telephone contacts (see definition of a "diligent telephone contact" below) urging the borrower to make the required payments on the loan. At least one of the telephone contacts must occur on or before the 90th day of delinquency and another one must occur after the 90th day of delinquency.
- b. At least four collection letters – at least two of which must warn the borrower that if the loan is not paid, the lender will assign the loan to the guaranty agency that, in turn, will report the default to all national credit bureaus, and that the agency may institute proceedings to offset the borrower's State and Federal income tax refunds and other payments made by the Federal Government to the borrower, or to garnish the borrower's wages, or assign the loan to the Federal Government for litigation against the borrower.

Diligent efforts for telephone contact are defined in 34 CFR Section 682.411(m) as:

- a. A successful effort to contact the borrower by telephone;
- b. At least two unsuccessful attempts to contact the borrower by telephone at a number that the lender reasonably believes to be the borrower's correct telephone number; or
- c. An unsuccessful effort to ascertain the borrower's correct telephone number, including but not limited to, a directory assistance inquiry as to the borrower's telephone number and sending a letter to or making a diligent effort to contact each reference, relative, and individual identified in the most recent loan application or most recent school certification for that borrower that the lender holds. The lender may contact a school official other than the financial aid administrator who reasonably may be expected to know the borrower's address.

Skip-Tracing Requirements

Skip-tracing is the process by which lenders attempt to obtain corrected address or telephone information for borrowers for whom the lender does not have accurate information. Skip-tracing processes must meet regulatory time frames and minimum standards as outlined in 34 CFR Section 682.411(h).

Unless the final demand letter (as specified in the "Subsequent Payment or Information Obtained" section above) has already been sent, the lender shall begin to diligently attempt to locate the borrower through the use of effective commercial skip-tracing techniques within 10 days of its receipt of information indicating that it does not know the borrower's current address. These efforts must include, but are not limited to, sending a letter to or making a diligent effort to contact each endorser, relative, reference, individual, and entity identified in the borrower's loan file, including the schools the student attended. For this purpose, a lender's contact with a school official that might reasonably be expected to know the borrower's address may be with someone other than the financial aid administrator, and may be in writing or by telephone.

These efforts must be completed by the date of default with no gap of more than 45 days between attempts to contact those individuals or entities. Upon receipt of information indicating that it does not know the borrower's current address, the lender shall discontinue the collection efforts described in the "Subsequent Payment or Information Obtained" section.

If the lender is unable to ascertain the borrower's current address despite its performance of the activities described in the "Subsequent Payment or Information Obtained" section, the lender is excused thereafter from performance of the collection activities (with the exception of a request for default aversion assistance) unless it receives a communication indicating the borrower's address prior to the 241st day of delinquency (the 301st day for loans payable in less frequent installments than monthly).

Audit procedures involved a review of 40 delinquent borrower accounts. One out of 40 borrowers selected did not have the required due diligence telephone contact efforts completed. The borrower selected was 274 days delinquent as of December 31, 2016. The borrower payment due date was April 1, 2016, and no telephone contact efforts were made until July 22, 2016, putting the borrower over 90 days delinquent prior to a diligent telephone contact. There were no questioned costs as the borrower paid the loan in full prior to a claim being filed.

THECB had increased controls over due diligence and skip tracing activities during 2016 as a result of a prior audit year audit finding. Control testing performed for the fiscal year 2017 noted the controls were appropriately designed and operating effectively. Due to the age of the delinquency of the selected loan from the current period audit, the required due diligence telephone call should have occurred prior to THECB's implementation of increased control activities. All required due diligence efforts were made for the remainder of the loan's delinquency prior to the full payment of the loan.

Recommendation:

THECB should continue the monthly review of due diligence efforts and skip tracing activities put into place during 2016.

Views of Responsible Officials:

Management agrees with the recommendation. In August 2016, the Agency modified its telephone due diligence process for its FFEL portfolio. Collection calls for all FFEL accounts are attempted every other week, rotating between AM and PM and on varying days of the week. A dedicated resource has been assigned to this task to ensure that collection calls are made every two weeks, which exceeds due diligence efforts for telephone contacts as required in federal regulation. The required due diligence calls that should have been made were from the time period prior to the changes made as noted above. No additional findings were noted by the auditor on the remainder of the sample reviewed after August 2016.

Corrective Action Plan:

On a monthly basis, the Manager of Due Diligence pulls a random sample of FFEL accounts to verify that required collection calls have been appropriately made for the prior month. Also, on a quarterly basis and part of our Key Controls review, the Assistant Director – Operations Center reviews a sample of FFEL accounts to confirm the timeliness of due diligence letters and collection calls.

Implementation Date: August 2016

Responsible Person: Stephen Wessels

Committee on Agency Operations

AGENDA ITEM VI-C

Update on Internal Audit Reports and Activities

RECOMMENDATION: No action required

BACKGROUND INFORMATION:

Update on Internal Audit activities

Audits In Progress	Stage of Project
A Review of Formula Funding	Fieldwork
A Follow Up Review of College Access Loan Administration	Fieldwork
A Review of the Physician Education Loan Repayment Program	Fieldwork

Other Internal Audit Activities

- Coordinated external audits—SAO, KPMG, etc.
- Revised and adopted a new External Audit Policy
- Piloted new risk assessment approach that can be used by agency departments in performing a self-assessment of risk.

Mark Poehl, Director of Internal Audit and Compliance will present this item to the Committee.

Committee on Agency Operations

AGENDA ITEM VII-A

Update on Compliance Monitoring Reports and Activities

RECOMMENDATION: No action required

BACKGROUND INFORMATION:

Update on Compliance Monitoring Reports

The Compliance Monitoring team completed seven projects during the reporting period since the January 2018 Agency Operations Committee meeting. The final reports are attached.

Formula Funding Engagements Completed

A Follow Up Audit of Formula Funding at Grayson College (no findings)

A Compliance Monitoring Audit of Formula Funding at Kilgore College (one finding)

Financial Aid Engagements Completed

A Follow Up Audit of TEXAS Grant at Tarleton State University (no findings)

A Follow Up Audit of TEXAS Grant at Texas Southmost College (no findings)

A Follow Up Audit of Tuition Equalization Grant at the University of St. Thomas (no findings)

A Follow Up Audit of TEXAS Grant at Texas State Technical College-Waco (no findings)

A Follow Up Audit of Texas Educational Opportunity Grant at Houston Community College System (no findings)

Projects In Progress	Stage of Project
Texas Southern University	Pre-Audit
Sam Houston State University	Pre-Audit
Del Mar College	Reporting
Blinn College	Pre-Audit
San Jacinto College District	Planning
The University of Texas Health Science Center at Houston	Pre-Audit
Doctors Hospital at Renaissance	Fieldwork
The University of Texas Medical Branch at Galveston	Planning
Rice University	Pre-Audit
Lamar State College – Orange (N1)	Carry Forward to FY19
Weatherford College (N2)	Carry Forward to FY19
South Texas College (N2)	Carry Forward to FY19
Tyler College (N2)	Carry Forward to FY19

N1 – This engagement will be performed in fiscal year 2019 at the request of the institution, based upon the impacts associated with Hurricane Harvey

N2 – This follow up engagement will be performed in fiscal year 2019 to allow sufficient time to test continuing education formula funding during the period after legislative changes took effect on September 1, 2018.

Other Compliance Monitoring Activities

- Training of new Compliance Specialist
- Preliminary work on FY 2019 Risk Assessment and Compliance Plan

The final reports are attached. Mark Poehl, Director of Internal Audit and Compliance will present this item to the Committee.



TEXAS HIGHER EDUCATION COORDINATING BOARD

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November 2, 2017

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Dr. Jeremy P. McMillen, President
Grayson College
6101 Grayson Drive (Hwy 691)
Denison, Texas 75020

Dear Dr. McMillen,

Grayson College implemented the recommendation in our prior report *A Compliance Desk Review of Formula Funding at Grayson College*, issued March 9, 2016.

Management has implemented the audit recommendation by:

- Enhancing security controls over student information to provide reasonable assurance that the user access permission controls are improved to comply with the Family Educational Rights and Privacy Act (FERPA) and aligning with best practices of the Texas Administrative Code, Title 1, Chapter 202, Rules 202.70-202.76, to better protect registration information and other student data from unauthorized use.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl".

Mark A. Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit and Compliance

PERFORMED BY:

Ms. Carol Conner, Compliance Specialist

cc:

THECB

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Ms. Linda Battles, Deputy Commissioner for Agency Operations and
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Mr. William Franz, General Counsel

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

Grayson College

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Ms. Christy Klemiuk, Director of Admissions/Registrar

Mr. Gary Paikowski, Vice President of Information Technology

Mr. Casey Ticknor, Director of Administrative Computing

Ms. Regina Organ, Vice President of Student Affairs

Texas Association of Community Colleges

Mr. Jacob Fraire, President and Chief Executive Officer

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January 24, 2018

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Dr. Brenda Kays, President
Kilgore College
1100 Broadway
Kilgore, Texas 75662

Dear Dr. Kays,

I am attaching the final report on *A Compliance Audit of Formula Funding at Kilgore College*, Report No. THECB CM-FF-18-008. There was one finding related to information technology controls resulting from this engagement.

Summary

Information security controls over student enrollment information at Kilgore College require improvement. Audit trails over key enrollment data such as class meeting days and times must be established to ensure the reliability and integrity of data used for formula funding decision making purposes. Therefore, our original review objectives, including a determination of the accuracy of contact hours reported by Kilgore College, were unable to be met. A follow up audit will be performed to evaluate Kilgore College's information security controls as a basis for future base period assessment of the accuracy of contact hours reported for formula funding purposes.

This Compliance Monitoring report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in April 2018.

The cooperation of your staff during this review is greatly appreciated. If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Poehl".

Mark A. Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit and Compliance

Detailed Observation, Recommendation and Management's Response

1. Information technology processes and controls over student information system enrollment data should be strengthened.

Information technology processes and controls over student information system enrollment data should be strengthened. Although Kilgore College has policies and procedures in place to limit access to information systems, the student information system does not provide audit logs or change history for critical formula funding data, including:

- Credit hours
- Lab hours
- Lab contact hours
- Instruction mode
- Meeting times
- Lecture hours
- Lecture contact hours
- Type of Instruction
- Meeting days
- Instructor of record

The lack of audit logs or change history limits the ability to rely upon the integrity of the data.

Family Educational Rights and Privacy Act (FERPA) 34 CFR 99.31(a)(1)(ii) requires that "An educational agency or institution must use reasonable methods to ensure that school officials obtain access to only those education records in which they have legitimate educational interests." Security standards (TAC 202) established by the Department of Information Resources (DIR) for institutions of higher education are also a good source of information to strengthen the information technology control environment.

Recommendation:

Capture and retain student information system audit logs or change history for the critical data used for formula funding.

Management Response:

The following corrective actions have been implemented by the director of information technology regarding the information technology controls over student enrollment information at Kilgore College:

- *On October 26, 2017, audit tracking of catalog and course master files was implemented.*
- *On November 30, 2017, audit tracking of student data information related to formula funding was implemented.*

Kilgore College strives to comply with the Family Educational Rights and Privacy Act (FERPA) to protect student educational records and works diligently to improve our security information controls.

PERFORMED BY:

Ms. Carol Conner, Compliance Specialist

cc:

THECB

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Commissioner's Office

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Ms. Linda Battles, Deputy Commissioner for Agency Operations and
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Mr. William Franz, General Counsel

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

Kilgore College

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Mr. Tony Johnson, Director of Human Resources

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December 27, 2017

Dr. F. Dominic Dottavio, President
Tarleton State University
1333 W. Washington St.
Stephenville, Texas 76402

Dear Dr. Dottavio:

Tarleton State University implemented the recommendations in our prior report *A Compliance Audit of TEXAS Grant at Tarleton State University*, issued August 31, 2016.

Management has implemented the audit recommendations by:

- Ensuring that requested TEXAS Grant award amounts are timely reconciled to the Banner student information distribution totals.
- Repaying \$57 that had not been attributed to a student account.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is written in a cursive style.

Mark A. Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit and Compliance

PERFORMED BY:

Mr. David Mahoney, Compliance Specialist (Lead Auditor)

cc:

THECB
Board Members

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Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

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Mr. William Franz, General Counsel

Mr. Ken Martin, Assistant Commissioner for Financial Services and Chief Financial
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Student Financial Aid Programs

Dr. Charles Puls, Deputy Assistant Commissioner

Tarleton State University

Ms. Kathy A. Wright, Executive Director, Student Financial Assistance Services

Texas A&M System

Mr. Cliff Thomas, Charmin, Board of Regents

Mr. John Sharp, Chancellor

Mr. Charlie Hrcir, Chief Auditor

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February 7, 2018

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Dr. Jesus Roberto Rodriguez, President
Texas Southmost College
80 Fort Brown
Brownsville, Texas 78520

Dear Dr. Rodriguez,

Texas Southmost College implemented the recommendations in our prior report *A Compliance Audit of TEXAS Grant at Texas Southmost College*, issued October 23, 2015.

Management has implemented the audit recommendations by:

- Complying with 34 CFR 99.31 - Family Educational Rights and Privacy Act (FERPA) requirements and best practice consideration of the Texas Administrative Code §202, Department of Information Resources (DIR) security control standards; and
- Ensuring that only appropriate users are authorized and assigned access permissions to data in the student information system.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl".

Mark A. Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit and Compliance

PERFORMED BY:

Ms. Carol Conner, Compliance Specialist

cc:

THECB

Board Members

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Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Mr. Ken Martin, Assistant Commissioner for Financial Services and Chief Financial
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Student Financial Aid Programs

Dr. Charles Puls, Deputy Assistant Commissioner

Texas Southmost College

Ms. Adele G. Garza, Chair, Board of Trustees

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Ms. Ana De La Garza, Director of Financial Aid

Mr. Daniel De Leon, Chief Information Officer

Ms. Lissa Frausto, Chief Human Resources Officer

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March 6, 2018

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Dr. Richard L. Ludwick, President
University of St. Thomas
3800 Montrose Blvd.
Houston, Texas 77006

Dear Dr. Ludwick,

The University of St. Thomas implemented the recommendations in our prior report *A Compliance Desk Review of Tuition Equalization Grant (TEG) at the University of St. Thomas*, issued July 15, 2016.

Management has implemented the audit recommendations made in our prior report by:

- Developing procedures to ensure compliance with Texas Administrative Code (TAC) §22.24 (a) (5) regarding students "...enrolled in an approved institution in an individual plan...but not in a degree plan that is intended to lead to religious ministry"; and reimbursing the \$4,875 in TEG awards for three students to the Texas Higher Education Coordinating Board.
- Developing procedures to ensure compliance with Texas Administrative Code (TAC) §22.24 (a) (1) regarding students "...enrolled on at least a three-fourths of full-time enrollment"; and reimbursing the \$5,689 in TEG awards for five students to the Texas Higher Education Coordinating Board.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

If you have any questions or comments, please let me know.

Sincerely,

Mark A. Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit and Compliance

PERFORMED BY:

Ms. Carol Conner, Compliance Specialist

cc:

THECB

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Commissioner's Office

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Ms. Linda Battles, Deputy Commissioner for Agency Operations and
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Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Mr. Ken Martin, Assistant Commissioner for Financial Services and Chief Financial
Officer

Student Financial Aid Programs

Dr. Charles Puls, Deputy Assistant Commissioner

University of St. Thomas

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Ms. Lynda McKendree, Financial Aid Director

Independent Colleges and Universities in Texas

Mr. Ray Martinez, III, President

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January 10, 2018

Mr. Michael Reeser, Chancellor
Texas State Technical College - Waco
3801 Campus Drive
Waco, Texas 76705

Dear Mr. Reeser:

Texas State Technical College - Waco implemented the recommendation in our prior report *A Compliance Audit of TEXAS Grant at Texas State Technical College - Waco*, issued August 31, 2016.

Management has implemented the audit recommendation by:

- Complying with the Family Educational Rights and Privacy Act (FERPA) and aligning with best practices of the Texas Administrative Code, Title 1, Chapter 202, Rules 202.70 - 202.76, by performing a biennial review of the information security program to protect student data from unauthorized use.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl".

Mark A. Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit and Compliance

PERFORMED BY:

Ms. Jamyen Robinson-Hall, Compliance Specialist

CC:

THECB

Board Members

Commissioner's Office

Dr. Raymund Paredes, Commissioner of Higher Education

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications

Mr. William Franz, General Counsel

Mr. Ken Martin, Assistant Commissioner for Financial Services and Chief Financial Officer

Student Financial Aid Programs

Dr. Charles Puls, Deputy Assistant Commissioner

Texas State Technical College

Mr. John K. Hatchel, Chairman, Board of Regents

Mr. Adam Hutchison, Provost

Mr. Jason Mallory, Director of Internal Audits

Ms. Jackie Adler, Executive Director of Financial Aid

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March 9, 2018

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Dr. Cesar Maldonado, Chancellor
Houston Community College System
555 Community College Dr.
Houston, Texas 77013

Dear Dr. Maldonado:

Houston Community College System implemented the recommendations in our prior report *A Compliance Monitoring Audit of the Texas Educational Opportunity Grant (TEOG) at Houston Community College System*, Report No. THECB-CM-FA-17-010, issued July 5, 2017.

Management has implemented the audit recommendations made in our prior report by:

- Developing procedures to ensure compliance with Texas Administrative Code (TAC) 22.256 (c) (3) relating to obtaining required documentation when a student has been convicted of a felony or offense; and returning \$168,560 in TEOG awards for 107 students to the Texas Higher Education Coordinating Board (THECB).

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl".

Mark A. Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit and Compliance

PERFORMED BY:

Ms. Jamyen Robinson-Hall, Compliance Specialist

cc:

THECB

Board Members

Commissioner's Office

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Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Mr. Ken Martin, Assistant Commissioner for Financial Services and Chief Financial Officer

Student Financial Aid Programs

Dr. Charles Puls, Deputy Assistant Commissioner

Houston Community College System

Ms. JoEllen Soucier, Executive Director of Financial Aid

Ms. Bianca Matlock, Director of Financial Aid

Ms. Carin Hutchins, Interim Senior Vice Chancellor of Finance and Administrations, and Chief Financial Officer

Ms. Eva Loreda, Board Chair

Texas Association of Community Colleges

Mr. Jacob Fraire, President and CEO

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